

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the National Olympic Committee of Sri Lanka (“ the Committee”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income , statement of changes in funds and reserves and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No19 of 2018. My comments and observations which I consider should be report to Parliament, appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the National Olympic Committee of Sri Lanka as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium sized-Entities (SLFRS for SMEs).

**1.2 Basis for Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium sized- Entities (SLFRS for SMEs), and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Committee’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Committee or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Committee’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Committee is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Committee.

## 1.4 Scope of Audit

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Committee's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Committee's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Committee to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Committee, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Committee has complied with applicable written law, or other general or special directions issued by the governing body of the Committee;
- Whether the Committee has performed according to its powers, functions and duties; and
- Whether the resources of the Committee had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

**1.5 Non -Compliance with Laws, Rules, Regulations and Management Decisions etc.**

| <b>Reference to Laws, Rules, Regulations etc.</b>  | <b>Non -Compliance</b>   | <b>Management Comment</b>   | <b>Recommendation</b>  |
|--|--|---|--|
| (a) <b>Regulation No.773/7 dated 29 June 1993 made by the Minister of Sports under Section 41 of the Sports Act, No. 25 of 1973.</b> | (i) Section 2(a) The Committee had not taken necessary actions to get the reports from the delegate or delegates to submit to the Minister of Sports including the matters discussed in the Congresses, Committees, Conferences or other meetings. | We concurred to provide reports to the Minister and to the Secretary to the Ministry with effect from January 2024.   | Necessary actions should be taken to adhere to the stipulated rules and regulations. |
| (ii)Section 7  | The Committee had not taken actions to submit the minutes of the Annual General Meeting along with the Annual Report and the Audited Financial Statements to the Minister of Sports within 30 days of such meeting.                                | In addition to submitting the report to DG Sports, we have agreed to provide the Annual Report to the Minister, and to the Secretary to the Ministry, in compliance with rules and regulations. |  |

(iii) Section 8 (a) and (b) The quarterly reports in regard to all monies, equipment and other resources and all monetary instruments received by the Olympic Committee from local or foreign sources, and the quarterly progress reports in regard to the activities performed by the Olympic Committee during each quarter had not been submitted to the Minister of Sports. We agreed to provide quarterly reports to the Minister and to the secretary to the Ministry with effect from January 2024.

(b) **Section 2(a),(b) and (c) of Regulation No. 211/03 dated 30 November 1976 made by the Minister of Sports under Section 19 and 41 of the Sports Act, No. 25 of 1973.** The Committee had not taken the approval of the Ministry of Sports for 06 officials nominated by the Olympic Committee who have participated for the Commonwealth Games. Further on, 02 out of them had not returned to Sri Lanka. We submit the entire list of participants to the Ministry to get the approval of the Minister.

Necessary actions should be taken to adhere to the stipulated rules and regulations.

**2 Financial Review**

**2.1 Financial Results**

The operating results for the year under review amounted to a surplus of Rs.59,349,292 and the corresponding surplus in the preceding year amounted to Rs.14, 920,228. Therefore, an improvement amounting to Rs.44, 429,064 of the financial results was observed. The main reason attributed for this improvement is increase of Subsidies from International Organizations, Interest income and Project income by Rs.33,802,724 , Rs.8,372,112 and Rs.117,914,660 respectively as compared to the previous year.

**3 Operational Review**

**3.1 Management Inefficiencies**

|     | <b>Audit Issue</b>   | <b>Management Comment</b>  | <b>Recommendation</b>   |
|-----|--|--|---|
| (a) | The National Olympic Committee had sponsored for the total cost of air tickets amounting to Rs. 1,975,800 and daily total allowances amounting to Rs. 1,227, 714 for 03 Journalists, to cover the Commonwealth Games. The above Journalists had been selected according to | In response to their financial assistance request to NOCSL, we organized tickets and covered per diem allowances for their meal with the approval of | Necessary actions should be taken to prepare a transparent media sponsoring policy. |

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| <p>the instructions of the President and the Secretary of the Olympic Committee without a transparent manner by justifying reasons for the sponsoring.</p>  | <p>EXCO. However as agreed we will formalize the circular for the fund arrangements for participants.</p>  |  |
| <p>(b) As per the Section 3(b) of Article 04, of the Constitution of the National Olympic Committee, one of the objectives is to promote, facilitate and develop sports in general within Sri Lanka. Although 32 Federations had registered with the National Olympic Committee, a long-term development plan for each sport had not been prepared by the Committee with the collaboration with the National Federations.</p>   | <p>In our strategic plan on development of Projects, we are in the process of developing a plan for every Federation as well. We will further discuss with Federations and do the needful in future.</p>   | <p>Necessary actions should be taken to prepare a long-term development plan for each sport.</p>   |
| <p>(c) National Olympic Committee had not taken actions to settle the allocated annual administration grant amounting to Rs. 3,400,000 related to 17 out of 29 Sports Associations, and other project related payments and prior year annual administration grant amounting to Rs. 3,174,651 during the year under review.</p>  | <p>The approved procedure adopted by the Committee is to comply with certain requirements and apply for their annual grants and Project related expenses. We will continue to push the National Federations to follow the guidelines to support the requirements and to fulfill our obligations.</p> | <p>Needful actions should be taken to settle the allocated annual administration grants and Project related expenditure provided for the year.</p> |
| <p>(d) Without considering the request made by the Secretary to the Ministry of Sports and Youth Affairs, to allocate accommodation only for 04 days to the officials who participated in the Commonwealth Games, a sum of Rs. 2,139,548 equivalent to £4,456 had been paid on behalf of the accommodation facilities reserved for 14 days. Although the above officials had not participated for the event, the money so paid had not been recovered from the officers, and only Rs.567,600 had been recovered through one personal.</p> | <p>The standard procedure for reserving accommodation is to do a year in advance through their system, which closes precisely at the deadline. Ministry's days of participation was not informed on time and further we allocate participants in to rooms rotate basis.</p>                          | <p>Actions should be taken to get the actual number of participants and the required days of the stay, before making reservations.</p>             |

### 3.2 Human Resources Management

| <b>Audit Issue</b>   | <b>Management Comment</b>  | <b>Recommendation</b>   |
|--|--|---|
| A proper Scheme of Recruitment and Promotions for the Committee had not been prepared. | We agreed to execute a Scheme of Recruitment including position wise qualifications and outline the criteria for promotion and establish the basis for promotions. | A Scheme of Recruitment should be prepared and get the approval in order to conduct the effective human resource management system. |

## 4. Accountability and Good Governance

### 4.1 Corporate Plan

| <b>Audit Issue</b>   | <b>Management Comment</b>   | <b>Recommendation</b>   |
|--|---|---|
| The Corporate Plan had not been prepared by the Committee. | It was drafted for 10 years and will revise in every year and the copies will be shared with the Auditor General, Ministry once approved. | Necessary actions should be taken to complete the draft, and get the approval for the Corporate Plan. |